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Report Highlights:

A severe drought and heat wave across southern Europe reduced EU-15 grain production from 210 MMT in 2002/03 to 184.8 MMT in 2003/04.

This has helped to create a shortage of feed grains in Europe, leading to higher prices and reduced exports. Poor harvests in Central and Eastern Europe as well as the Black Sea region have reduced import availability with imports of wheat expected from the U.S. as well as corn imports from South America.

Continued high prices and a tight EU grain balance sheet are expected to continue till the summer of 2004. Should the production outlook for 04/05 look poor, EU markets could react nervously.

Includes PSD Changes: No
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Introduction

This report updates the grains outlook in the European Union, following on from the European Union Grains Annual Report in May 2003. It concentrates on the current production and market outlook for the Marketing Year (MY) 03/04 as well as including a description of those planting intentions known so far for 2004/05.

In May 2004, ten New Member States (NMS) will join the EU, namely, the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Currently, this FAS GAIN report reports all PSDs for the EU-15. As the EU will expand to 25 during the current MY, figures for the EU-25 are included on an indicative basis.

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Note: Data in this report is not official USDA data.

MT = Metric ton

MY = Marketing Year.

Executive Summary

In Marketing Year (MY) 03/04, drought and dry conditions reduced the EU-15 wheat harvest to less than 92 metric million tons (MMT). Total EU-15 coarse grain production in MY 03/04, is estimated to have fallen to 92.5 MMT, to give a total EU-15 grain output of 184.2 MMT.

In 2002/03, EU-15 wheat output was 103.7 MMT, and a coarse grain output was 105 MMT, to give total grains output of 208.6 MMT. This was combined with a high level of wheat imports. Wheat imports totaled over 12 MMT, notably from the Black Sea region and led to a higher use of wheat as feed, up over 15% from 01/02 and record wheat exports of 16 MMT.

The dramatic reduction in domestic grain availability during MY 03/04, with production declining by 24 MMT compared to the previous year, has pushed prices to high levels, and combined with the Euro's strength against the US Dollar, reduced expected EU exports in MY 03/04 to 8 MMT for wheat and 4.5 MMT for coarse grains.

The European grains balance sheet is currently tight, with continued strong domestic prices seen continuing until the new season crop becomes available in the Summer of 2004. The European Commission's response to the tightness on grain markets has been to suspend export subsidies and slowly release intervention stocks onto the domestic market during the course of the year. Whether this will be enough to keep prices in check and provide sufficient domestic grain availability remains to be seen over the next couple of months. It is reported that French feed manufacturers' requirements are essentially uncovered after January or February. Based on the current market situation, the European Commission are not expected to make any important policy changes to alleviate the situation.

Instead, it is expected that the high prices available on EU markets will encourage the imports of grains, including over 2 MMT of wheat and around 1 MMT of sorghum from the US, as well as a 2.4 MMT increase in corn imports to 5.4 MMT in MY 03/04. This would be sourced mainly from South America and could even include some shipments from China. This estimate does however rely on there being sufficient quantities of non biotech corn being available. The EU will not however be importing anything but minor quantities of US corn as not all the biotech varieties used in the US are permitted to be marketed in the EU. This year has also seen a rise in the imports of non grain feed ingredients (NGFI) including tapioca and cassava.

Stocks, both public and private will be drawn down heavily during the 03/04 MY, with EU-15 grains stocks falling from 33 MMT to 19 MMT. The European Commission has announced reduction in set-aside for 2004/05 from 10% to 5% in order to stimulate EU grains production in 04/05. This measure is tentatively expected to increase EU-15 grain production by 5 to 7 MMT in 04/05.

A good harvest in 04/05 would serve to replenish depleted stock levels. With stock levels low, any bad news for the 04/05 production outlook will be likely to create nervousness on the markets.

The situation in the New Member States (NMS) of central and eastern Europe is also of poor harvests and extreme tightness in domestic balance sheets. Poland has an estimated 2.5 MMT feed grain deficit, though with domestic prices currently lower than those in neighboring countries, it is difficult to see this deficit being plugged without important policy or market changes.

Wheat

PSD Table: EU-15, Wheat

Country European Union
Commodity Wheat

	2001		2002		2003		UOM
	USDA Official [Old]	Revised Post Estimate [New]	USDA Official [Old]	Estimate Post Estimate [New]	USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	07/2001		07/2002		07/2003		MM/YYYY
Area Harvested	16476	16466	17991	17709	17100	17028	(1000 HA)
Beginning Stocks	9749	11951	7965	11277	11737	13158	(1000 MT)
Production	90988	90751	103872	103692	92000	91637	(1000 MT)
TOTAL Mkt. Yr.							
Imports	9822	9828	12000	11624	4000	5234	(1000 MT)
Jul-Jun Imports	9822	9828	12000	11624	4000	5234	(1000 MT)
Jul-Jun Import U.S.	1993	2095	1175	1228	0	2162	(1000 MT)
TOTAL SUPPLY	110559	112530	123837	126593	107737	110029	(1000 MT)
TOTAL Mkt. Yr.							
Exports	11494	11834	16000	16509	8500	8060	(1000 MT)
Jul-Jun Exports	11494	11834	16000	16509	8500	8060	(1000 MT)
Feed Dom.							
Consumption	46497	40268	51280	47255	48000	43484	(1000 MT)
TOTAL Dom.							
Consumption	91100	89419	96100	96926	93000	93261	(1000 MT)
Ending Stocks	7965	11277	11737	13158	6237	8708	(1000 MT)
TOTAL DISTRIBUTION	110559	112530	123837	126593	107737	110029	(1000 MT)

2003/04 Production

A severe drought from late spring through the summer lead to reduced EU-15 wheat output. The drought and allied heat wave particularly impacted on production across the 'South' of the EU: Portugal, Spain, France, Italy, Austria, and Greece.

The French wheat crop in 2003/04 was below average due to some winterkill resulting from winter frosts, coupled with a dry spring and the only summer rainfall being in may to early June. This has lead to a high quality crop, with higher than normal protein levels, averaging 11.5% to 12% and up to 14% averages in some areas.

Across parts of central Europe (Germany, Poland, Hungary, the Czech Republic, Austria and some parts of France) very cold conditions during the winter lead to higher than usual levels of winterkill. Following the record crop in 2002/03, wheat production was down by 8 to 9% in Germany for MY 03/04. In Austria, some winter kill combined with a severe drought combined to reduce soft wheat yields by 19%. However, this was partially offset by hard wheat yields rising 29% and a small increase in area planted to hard wheat varieties.

In Northern Europe, the same dry and sunny summer conditions helped to produce an average crop in the UK, and Scandinavia, while the Netherlands recorded a record crop.

In Italy, imports are set to exceed domestic production during MY 03/04. The durum crop is generally poor due to excess rains during the 02/03 winter, particularly in southern Italy.

Wheat Production			
1000 MT	01/02	02/03	03/04
France	31572	39019	30810
Germany	22838	20818	19269
United Kingdom	11570	15973	14332
Italy	6289	7677	6568
Spain	4937	6782	6400
Netherlands	991	1057	1228
Austria	1439	1404	1165
Belgium-Luxembourg	1510	1739	1715
Denmark	4664	4040	4725
Finland	489	570	550
Greece	1217	1160	1230
Ireland	731	963	750
Portugal	159	390	315
Sweden	2345	2100	2580
EU15 Total	90,751	103,692	91,637
Cyprus			10
Czech R.			2623
Estonia			130
Hungary			2900
Latvia			400
Lithuania			1050
Malta			5
Poland			7940
Slovakia			950
Slovenia			70
NMS 10 total			16,078
EU-25 Total			107,715

Source: FAS EU Posts.

Estimated Wheat Balance for NMS-10 and EU-25 for 2003/04

2003/2004	NMS 10	EU-15	EU-25
Area	4986	17028	22014
Beginning Stocks	3433	13158	16591
Production	16078	92130	107715
MY Imports	2190	5234	6613
Jul-Jun Import U.S.	300	2162	2462
Total Supply	21701	110522	130919
MY Exports	915	8560	8163
Dom Consumption	18635	43477	111889
Feed	7455	93254	50932
Ending Stocks	2151	8708	10859
Tot Distribution	21701	110522	130911

New Member States

A poor wheat harvest in Hungary is leading to considerable tightness in Hungarian markets. In line with neighboring countries, Polish grain yields were impacted by the weather conditions, with overall grains yields declining 12% year on year, 15% for wheat.

Wheat production in the Czech Republic for MY 03/04 declined to 2.6 MMT a fall of 800-900,000 MT over the two previous campaigns. Over-production in these two years had lead to reduced plantings for 03/04 as well as the impact of flooding in the winter of 2002 and higher than typical winter kill levels. This lead to a 40% drop in winter wheat production offset partially by increased spring wheat.

Consumption

During the MY 02/03, feed consumption of wheat was boosted by substantial imports of wheat from the Black Sea region as well as good domestic availability. However, for the MY 03/04, an 11 MMT drop in EU wheat production to 92 MMT, as well as very poor harvests in Russia, the Ukraine and the countries of central and eastern Europe has reduced the availability of wheat. This is coupled by with a 9 MMT reduction in EU corn output in MY 03/04.

Therefore, feed consumption of wheat is estimated to decline from 47.3 MMT in 2002/03 to 43.5 MMT in 2003/04.

In France, the higher prices resulting from the poor harvest will lead to reduced exports and decreases in both feed use and a running down of stocks.

In Spain, consumption of feed wheat is set to decline dramatically in 2003/04 due to high wheat prices, from 6.5 MMT in 02/03, to 4.5 MMT in 03/04. Feed wheat is expected to be replaced partly by sorghum from the U.S., Corn, some non grain feed ingredients (NGFI) and improved pasture conditions reducing some feed requirements, particularly in the extensive livestock areas where over 23 m sheep 3m goats and 2 m cattle are farmed. This is due to Fall rainfall being 50% higher than normal, encouraging very good grass growth.

German feed use is set at 9 MMT, and can be defined this year as a 'protein feed' with protein levels up to 14%. What would have been milling wheat is going to be used as feed wheat. However, demand for quality wheat remains strong in Germany, with roughly 40% of the crop of 'A' quality. Selling opportunities for this class of wheat are often better.

The UK feed sector is characterized by high prices for feed and feed substitutes, coupled with high freight rates. This may lead to increased on farm feed consumption, particularly as high levels of forage have already been used up due to the dry summer.

In the Netherlands, it is also expected that more rye, barley, sunflower meal (including 0.5 MMT from the Black Sea region) and soymeal will be incorporated into feed use. There is a question mark over whether corn gluten feed will be used in fee.

Trade

The level of exports from France depends on the evolution of the Euro exchange rate, it may however be that some of the expected exports go to feed rations domestically. Some wheat will probably be exported to Italy and Spain. Currently, Belgian imports from France appear to be continuing at a typical pace despite the high prices.

Spain has already imported 300k US wheat so far this season, with a similar quantity expected between now and the end of 03/04. Of this, most is high quality wheat plus around 60,000 MT of soft red wheat.

In Germany however, prices are firm and rising. The trade expects the current strong price outlook to last until at least early in the new year when southern hemisphere crops become available. German imports are predicted to decline by 350k due to the lack of supply, as traditional suppliers to the German market do not have any export availability. Exports are expected to fall by 1 MMT year on year, though there is a notable increase in exports to the Benelux as yields in the Länder next to these countries were particularly favorable.

In the UK, imports are expected to fall slightly due to the quality of some of the domestically produced crop, though there remains a demand for imports with specific characteristics so the UK import figure could be revised up slightly.

February is seen as a key period for price expectations for the remainder of the 03/04 MY as the size and quality of the Latin American and Australian crops become known, expectations could also be impacted by winter developments in the Black Sea region. Currently, shipping costs from Australia would preclude imports from this source, which could encourage the current high wheat and feed prices to persist for longer at these levels.

Italian imports could exceed 2 MMT for durum, sourced from southern Europe, and North America, including the U.S. This includes some shipments of low grade, #4, Canadian durum that have been reported.

During the 02/03 MY, much feed quality wheat was imported into Italy from the Black Sea region, including over 1 MMT in the first half of 2003. This exceeds the normal feed requirements, so it is likely that some of this will be consumed during the 03/04 MY. For the rest of Italian feed wheat requirements, these are expected to be sourced intra-EU. Corn gluten is generally seen as too risky to import due to Italy's ban on even approved varieties of biotech corn.

In the Netherlands, imports are set to fall due to good domestic availability. Few Dutch imports are expected from the U.S. due to low availability and high freight charges. High internal shipping costs due to low levels of the main rivers such as the Rhine are also expected to reduce imports of corn from Hungary. Several shipments of US wheat are reported to be underway towards Belgium. The trade is expecting an increase in tapioca imports, roughly 1 MMT more than in 02/03. The first tapioca imports for ten years have been recorded in Belgium during the current marketing year. Netherlands wheat exports are also predicted to decline due to the high price of feed wheat.

Belgian flour exporters are reported to be having significant problems as they are uncompetitive on third country markets which normally accounts for 50% of flour exports. Currently, Belgian flour can be exported to central Africa for \$310/MT as opposed to \$230 from Argentina.

Austrian exports are expected to decline due to the low availability of domestic feed grains. Imports have also declined due to the lower availability in supplying countries Hungary and the Czech Republic.

Hungarian exports are expected to decline to 700,000 tons for 03/04. The Hungarian government has reportedly been considering an export ban for grains, though it is considered unlikely that they will implement this. However, local markets report that wheat and corn are 'evaporating', being exported truck load by truck load. Farmers are holding on to their grain supplies with little grain available on domestic markets. It is expected that some good quality wheat and corn will be exported to neighboring countries, replaced by low quality feed grain imports. The price sensitivity of domestic users favors the use of the cheapest grains that can be sourced. Exports from the US to Hungary are considered unlikely at current prices as the cost of transshipping from Adriatic ports to Hungary is approximately \$35 to \$37 per MT.

For the Czech Republic, exports are expected to decline in 03/04. So far in the MY, 55,000 MT are reported to have been exported, with little more expected during the rest of the year due to domestic scarcity of feed grains keeping prices high. In addition, due to its

landlocked geography, there is a certain degree of isolation from international markets due to high transport costs. Trade sources indicate that while prices have recently risen to around €125 for milling wheat, though price expectations for Spring 2004 are around €140. This figure is based on the expectation that no changes to government policy will occur. Should any form of export restrictions be imposed then prices are more likely to remain at their current level.

As with Hungary, small-scale exports from the Czech Republic may be taking place, grain that will need to be replaced, though wheat from the Americas would be expected to cost around €170 once all transport costs have been included.

During the 02/03 MY, the Polish government held stocks had been depleted due to the Polish Agricultural Markets Agency selling wheat stocks to raise capital to fund intervention on meat markets. Reduced production combined with low stocks have created a deficit of at least 1 MMT of wheat, though some in the trade argue for a figure closer to 1.7 or 1.8 MMT. The expected total grain import requirements for Poland in MY 03/04 could be as high as 2.5 MMT.

However, as prices are currently lower in Poland than in neighboring countries, with domestic prices of feed wheat around \$150/MT (roughly €130/MT). Currently, corn is \$140/MT, oats, \$130/MT and rye around \$110. In addition there is still a 20% import tariff on grains, though it is expected that the Polish government will probably introduce a temporary tariff reduction or tariff quota. It is also within the realms of possibility that a Polish export tax for grains could be introduced. The source of the import requirements is difficult to assess, with North and South America the most likely suppliers.

Stocks

During the MY 02/03, wheat stocks rose by some 2 MMT to 13.2 MMT due to the substantial domestic availability of wheat. The massive decrease in grains in the EU during MY 03/04 will lead to a stock draw down, currently estimated to be at least 4 MMT down to an ending stocks figure of 8.7 MMT, though several countries report that the eventual ending stocks could finish the MY at an even lower level. ONIC, the French cereals agency, currently forecast the closing 03/04 French wheat stocks at around 1.5 MMT. This would be at the lowest level since the late 1980's. In Germany, stocks are expected to be reduced by at least 900,000 MT to 2 MMT, though the final figure could well be lower.

Price expectations in France for wheat towards the end of the MY 03/04 are €180, followed by a sharp run down in price as the 2004 crop comes on line in the summer of 2004, assuming normal conditions. This could see a drop in the domestic wheat price back down to a more typical €110 level. Under these conditions, there is no advantage to holding stocks so they are expected to be reduced.

In both the UK and Belgium, stock levels in the summer of 2003 were at high levels, and are expected to be reduced. Belgian stocks in July 2003 were reported to be around 0.75 MMT, around 0.5 MMT more than the usual level. Italian stocks were also reported to be at high levels due to imports of Black Sea wheat exceeding feed requirements during the first half of 2003.

Barley

PSD – Barley – EU-15

Country European Union**Commodity** Barley

	2001		2002		2003		UOM
	USDA Official [Old]	Revised Post Estimate [New]	USDA Official [Old]	Estimate Post Estimate [New]	USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	07/2001		07/2002		07/2003		MM/YYYY
Area Harvested	10742	10798	10540	10604	10595	10720	(1000 HA)
Beginning Stocks	8216	8216	9136	8820	10259	8013	(1000 MT)
Production	48090	48203	48023	48063	47000	46946	(1000 MT)
TOTAL Mkt. Yr.							
Imports	982	1095	800	778	350	530	(1000 MT)
Oct-Sep Imports	973	1095	700	550	350	530	(1000 MT)
Jul-Jun Import U.S.	47	84	0	14	0	20	(1000 MT)
TOTAL SUPPLY	57288	57514	57959	57661	57609	55489	(1000 MT)
TOTAL Mkt. Yr.							
Exports	3652	3661	5000	4820	3500	3757	(1000 MT)
Jul-Jun Exports	3081	3661	5000	5000	3500	3757	(1000 MT)
Feed Dom.							
Consumption	32300	32435	29830	31241	36000	32995	(1000 MT)
TOTAL Dom.							
Consumption	44500	45033	42700	44828	49600	46493	(1000 MT)
Ending Stocks	9136	8820	10259	8013	4509	5239	(1000 MT)
TOTAL DISTRIBUTION	57288	57514	57959	57661	57609	55489	(1000 MT)

Overall, the EU barley crop declined by 2.3% to just under 47 MMT, with below average harvests recorded in France, Austria and Germany not quite offset by output increases in Spain and the Netherlands.

In France, the MY 03/04 crop was below average, after suffering some winter kill, though in general was little affected by the summer drought. Less malting barley is available, though significant quantities of feed barley are.

In Germany, MY 03/04 barley output declined by around 350,000 MT compared to MY 02/03, to 10.7 MMT, though quality was generally good. Import levels are expected to remain stable as barley is expected to be imported to address the feed grain deficit. The lower feed availability will also lead to a stock draw down and reduced exports.

The Spanish barley crop of 8.7 MMT, some 400,000 MT more than in 02/03, was due to more favorable growing conditions in the main barley growing area. Feed use of barley is expected to rise substantially, up around 600,000 MT in MY 03/04 to 7.6 MMT, due to higher availability and increased imports, mostly from the rest of the EU.

In Poland, a 14% production drop has led to an estimated 350,000 MT import needs during MY 03/04, though it is not clear where these may be sourced from and they could be replaced in the feed mix by corn or rye.

Hungarian exports are currently estimated at 50,000 MT, though this figure could eventually rise by another 100,000 MT depending on the evolution of the price differential with neighboring countries.

Barley Production			
1000 MT	01/02	02/03	03/04
France	9806	10990	9980
Germany	13495	10928	10683
United Kingdom	6660	6128	6470
Italy	1126	1190	1078
Spain	6245	8333	8700
Netherlands	387	315	372
Austria	1010	850	869
Belgium-Luxembourg	405	396	320
Denmark	4068	4078	3710
Finland	1792	1566	1650
Greece	380	432	430
Ireland	1184	963	1162
Portugal	12	22	12
Sweden	1633	1872	1510
EU15 Total	48,203	48,063	46,946
Cyprus			100
Czech R.			2070
Estonia			250
Hungary			830
Latvia			225
Lithuania			800
Malta			5
Poland			2830
Slovakia			800
Slovenia			33
NMS 10 total			7,943
EU-25 Total			54889

Source: FAS EU Posts.

Estimated Barley Balances for NMS-10 and EU-25 for 2003/04

2003/2004	NMS 10	EU-15	EU-25
Area	2816	10720	13536
Beginning Stocks	943	8013	8956
Production	7943	46946	54889
MY Imports	850	530	1120
Jul-Jun Import U.S.	0	20	20
Total Supply	9736	55489	64965
MY Exports	200	3757	3697
Dom Consumption	6425	32995	39420
Feed	8715	46493	55208
Ending Stocks	821	5239	6060
Tot Distribution	9736	55489	64965

Corn

PSD – Corn – EU-15

Country European Union

Commodity Corn

	2001		2002		2003		UOM
	USDA Official [Old]	Revised Post Estimate [New]	USDA Official [Old]	Estimate Post Estimate [New]	USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	10/2001		10/2002		10/2003		MM/YYYY
Area Harvested	4462	4446	4352	4284	4135	4150	(1000 HA)
Beginning Stocks	3743	3743	4192	3391	4881	3838	(1000 MT)
Production	40006	39636	40089	38545	30500	30196	(1000 MT)
TOTAL Mkt. Yr.							
Imports	2906	2402	3000	3039	4000	5355	(1000 MT)
Oct Sep Imports	2906	2402	3000	3039	4000	5355	(1000 MT)
Oct Sep Import U.S.	55	36	0	22	0	19	(1000 MT)
TOTAL SUPPLY	46655	45781	47281	44975	39381	39389	(1000 MT)
TOTAL Mkt. Yr.							
Exports	63	66	200	78	100	79	(1000 MT)
Oct Sep Exports	63	66	200	78	100	79	(1000 MT)
Feed Dom.							
Consumption	32800	32640	32600	31195	26500	28000	(1000 MT)
TOTAL Dom.							
Consumption	42400	42324	42200	41059	36100	37284	(1000 MT)
Ending Stocks	4192	3391	4881	3838	3181	2026	(1000 MT)
TOTAL DISTRIBUTION	46655	45781	47281	44975	39381	39389	(1000 MT)

The hot, dry summer across much of Europe impacted heavily on corn production, with output falling to 30.2 MMT in MY 03/04, a decline of over 8 MMT year on year. Although, the summer weather conditions only had a marginal impact on the 03/04 Spanish corn harvest.

The corn harvest in France fell substantially, to 11 MT in MY 03/04. Over 200,000 ha. of corn was cut as silage during the summer of 2003. The poor harvest will lead to a reduction in feed use and lower levels of exports. The French ending stocks for 02/03 were zero. Old crop had been fully used up as the new crop started to arrive several months early due to the exceptional weather.

While official German corn production numbers are still at 3.4/3.5 MMT, production is pegged at 2.5 MMT due to the severe damage from the drought and some corn being cut as forage/silage.

Italy has a corn deficit. In the PSD, it is assumed that Italy will import 700,000 MT from intra-EU sources and the same quantity from extra-EU sources, however, it is far from certain that these quantities will be imported. In particular, there are doubts as to whether non-GM corn can be imported from Brazil. As some 60% of the feed ration is corn there also remains scope for replacement with other feed. During 02/03, there was a decline in Italian feed consumption of corn due to its replacement with feed wheat from the Black Sea region. In addition, demand declined due to an 11% drop in poultry numbers.

Spain's import requirements for corn over MY 03/04 are predicted to be 2.25 MMT, of which 1.5 or 1.6 MMT will be under the abatement system. The shortage of French corn this year will encourage imports from South America at full duty. A shipment of Chinese corn has also been received during the current marketing year. However, wet millers need GM free corn, which is likely to be sourced from France, Brazil and some certified GM free shipments from Argentina. The premium for non GM corn over GM corn is around \$15 per MT. By the time testing and other higher costs such as segregation are taken into account, GM free corn costs around \$20 extra. In Spain, there are 37,000 hectares, or 8% of the corn area, planted to Bt Corn. It is reported that farmers who have planted GM corn are happy with the results so far.

With a UK import demand estimated to be almost 1.5 MMT during the 03/04 MY, it is felt that the demand is strong so could draw corn away from other markets due to the general scarcity on intra-EU markets due to the French drought.

Demand in the Netherlands for corn is significant, particularly from the poultry sector, however, due to the scarcity of French corn, Argentina and possibly China are being looked as likely sources. Argentine corn has been imported before and the GM issue is not considered a problem as most of the GM varieties used in Argentina have already been approved for use in the EU. Likewise in Belgium, imports of Argentine corn are expected to occur later during the year.

In Austria, the drought and consequent poor harvest have lead to a domestic deficit of roughly 300,000 MT for the 03/04 MY. This is expected to lead to up to 200,000 MT imports from the neighbors to the east, if it can be found.

New Member States

In Hungary, the area planted to corn continues to remain at a stable level of 1.1 M ha., however, this year's crop was poor owing to adverse weather with production at 4.6 MMT compared to levels of 7 MMT recorded several years ago. Imports are negligible, apart from some hybrid seeds. Exports are expected to be around 0.5 MMT. There remains, however, a shortage of feed grains in Hungary and the government has been mulling over an export ban (up to May 1st 2004).

The western corn borer is a real problem in parts of Southern Hungary. Crop rotation is an important tool to tackle this problem, however, some family farms are unable to rotate due to economic pressures thus exacerbating the problem. Hungary has adopted a conservative approach to GM technology with little desire to risk the positive reputation of Hungarian corn on EU markets.

In the Czech Republic, the area planted to corn continues to expand rapidly, rising from 70,000 hectares in 2002/03 to 78,000 hectares in 2003/04. Bt corn has been approved for field trials as well as having been approved for release onto the Czech market. It is likely that approval for plantings will be granted in three years on conclusion of the field trials.

Polish production remained more or less unchanged from 02/03 at 1.9 MT, though area planted in 03/04 had risen and yields fallen due to the drought. Polish corn production has also been rapidly increasing over previous years, as with the Czech Republic.

There is still significant demand for feed corn on polish markets during MY 03/04, with an estimated import requirement of 350 to 450,000 MT. It is, however, not at all clear where these requirements can be sourced from if at all. If corn is unavailable then estimates of imports of other feed grains will need to be raised accordingly. The overall feed grain import

requirement is currently estimated at 1.5 MMT for MY 03/04. As BT Corn is the only GM variety approved in Poland, this will restrict the range of countries Poland is able to import corn from.

Corn Production			
1000 MT	01/02	02/03	03/04
France	16746	16100	11000
Germany	3505	3738	2500
United Kingdom	0	0	0
Italy	10554	10200	8100
Spain	4957	4463	4300
Netherlands	209	182	200
Austria	1489	1658	1376
Belgium-Luxembourg	464	515	514
Denmark	0	0	0
Finland	0	0	0
Greece	820	840	1300
Ireland	0	0	0
Portugal	892	849	906
Sweden	0	0	0
EU15 Total	39636	38545	30196
Cyprus			0
Czech R.			435
Estonia			0
Hungary			4600
Latvia			0
Lithuania			0
Malta			0
Poland			1900
Slovakia			700
Slovenia			310
NMS 10 total			7945
EU-25 Total			38141

Source: FAS EU Posts.

Estimated Corn Balance for NMS-10 and EU-25 for 2003/04

2003/2004	NMS 10	EU-15	EU-25
Area	1713	4150	5863
Beginning Stocks	1068	3838	4906
Production	7945	30196	38141
MY Imports	514	5355	5362
Jul-Jun Import U.S.	1	19	20
Total Supply	9527	39389	48409
MY Exports	505	79	77
Dom Consumption	7368	28000	35368
Feed	8130	37284	45414
Ending Stocks	892	2026	2918
Tot Distribution	9527	39389	48409

Rye

PSD Table: EU-15, Rye

Country	European Union						UOM
	Commodity Rye						
Commodity	2001	Revised	2002	Estimate	2003	Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	07/2001		07/2002		07/2003		MM/YYYY
Area Harvested	1217	1213	1072	1077	875	891 (1000 HA)	
Beginning Stocks	4599	4564	5862	5862	5688	5777 (1000 MT)	
Production	6256	6273	4718	4733	3250	3244 (1000 MT)	
TOTAL Mkt. Yr.							
Imports	311	311	331	331	0	30 (1000 MT)	
Jul-Jun Imports	309	300	350	350	0	25 (1000 MT)	
Jul-Jun Import U.S.	0	0	0	0	0	0 (1000 MT)	
TOTAL SUPPLY	11166	11148	10911	10926	8938	9051 (1000 MT)	
TOTAL Mkt. Yr.							
Exports	711	711	698	695	500	340 (1000 MT)	
Jul-Jun Exports	816	650	700	1200	500	1023 (1000 MT)	
Feed Dom.							
Consumption	2516	2522	2725	2623	2200	3551 (1000 MT)	
TOTAL Dom.							
Consumption	4593	4575	4525	4454	3950	5364 (1000 MT)	
Ending Stocks	5862	5862	5688	5777	4488	3347 (1000 MT)	
TOTAL DISTRIBUTION	11166	11148	10911	10926	8938	9051 (1000 MT)	

The MY 03/04 German rye harvest was of poor quality due to the high temperatures during the summer. This has helped lead to a shortage of milling rye in Germany. Commission policy currently precludes using intervention stocks to be released for flour use.

German rye production has been declining steadily in anticipation of the end of rye's eligibility for EU intervention. This means that rye would no longer enjoy a guaranteed minimum price equal to the EU intervention price. This policy change will be valid for the 2004/05 MY, however, no change to German rye production is expected as area has already been significantly reduced. The same (lack of) impact is also expected in Poland, partly because there is no practical alternative to rye production in many rye producing areas.

German rye stocks are forecast to be at a level of 3.3 MMT at the end of the 03/04 marketing year. The final figure will depend on the Commission's willingness to subsidize the transport of rye to Spain. At the moment, it seems unlikely that the Commission will propose this measure, however, should a change be made then the final stock figure would end up lower (with a corresponding increase in German intra-EU exports and a rise in Spanish rye feed consumption).

In Spain, the price of rye is currently around €159, compared to €177/180 for feed wheat. At these levels, rye is not competitive for feed use, though should the price fall a little then rye use will increase. In 1995, Spain took over 1 MMT of rye from German intervention

stocks. However, as no transport subsidy for rye currently stored in Germany is foreseen, imports are estimated to be 700,000 MT, though the rye price would need to fall slightly relative to other feed grains to achieve this level.

The Polish rye area is stable, with little change expected next year either. There could be some imports of rye during MY 03/04 in Poland, though the current low domestic price of \$110/MT and a 20% import tariff make that appear unlikely under current conditions.

Sorghum

PSD Table: EU-15, Sorghum

Country Commodity	European Union						UOM
	Sorghum				(1000 HA)(1000 MT)		
Market Year Begin	2001 USDA Official [Old]	Revised Post Estimate [New] 07/2001	2002 USDA Official [Old]	Estimate Post Estimate [New] 07/2002	2003 USDA Official [Old]	Forecast Post Estimate [New] 07/2003	MM/YYYY
Area Harvested	109	110	112	113	100	100	(1000 HA)
Beginning Stocks	27	37	40	24	39	58	(1000 MT)
Production	653	658	701	707	400	454	(1000 MT)
TOTAL Mkt. Yr.							
Imports	42	39	16	209	700	1159	(1000 MT)
Oct-Sep Imports	41	41	400	209	300	1150	(1000 MT)
Oct-Sep Import U.S.	9	9	0	149	0	966	(1000 MT)
TOTAL SUPPLY	722	734	757	940	1139	1671	(1000 MT)
TOTAL Mkt. Yr.							
Exports	3	3	15	2	15	3	(1000 MT)
Oct-Sep Exports	3	2	15	5	15	13	(1000 MT)
Feed Dom.							
Consumption	677	679	661	869	1075	1608	(1000 MT)
TOTAL Dom.							
Consumption	679	707	703	880	1100	1642	(1000 MT)
Ending Stocks	40	24	39	58	24	26	(1000 MT)
TOTAL DISTRIBUTION	722	734	757	940	1139	1671	(1000 MT)

It is expected that slightly over 1 MMT of sorghum will be imported into the EU during MY 03/04. Spain is forecast to import around 700,000 MT, of which 300,000 MT has already been imported. Most if these quantities are expected from the U.S., with some from Brazil. Argentine sorghum has been ignored by importers as the tannin content is considered too high, despite being priced \$18 lower than other origins. Italy is estimated to import 300,000 MT of sorghum during the MY 03/04. A shipment of 30,000 MT is also reported to be scheduled for mid December arrival in Portugal, amongst an expected 100,000 MT imports during MY 03/04.

Oats

PSD Table: EU-15, Oats

Country European Union
Commodity Oats

	2001		2002		2003		UOM
	USDA Official [Old]	Revised Post Estimate [New]	USDA Official [Old]	Estimate Post Estimate [New]	USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	07/2001		07/2002		07/2003		MM/YYYY
Area Harvested	1959	1953	2103	2103	2100	2110	(1000 HA)
Beginning Stocks	784	729	820	759	808	816	(1000 MT)
Production	6207	6199	7228	7258	6850	6737	(1000 MT)
TOTAL Mkt. Yr. Imports	1	3	10	1	10	3	(1000 MT)
Oct-Sep Imports	0	0	10	5	10	3	(1000 MT)
Oct-Sep Import U.S.	1	0	0	2	0	0	(1000 MT)
TOTAL SUPPLY	6992	6931	8058	8018	7668	7556	(1000 MT)
TOTAL Mkt. Yr. Exports	613	579	900	939	400	499	(1000 MT)
Oct-Sep Exports	703	562	900	810	400	499	(1000 MT)
Feed Dom. Consumption	4347	4338	5100	4955	5250	5000	(1000 MT)
TOTAL Dom. Consumption	5559	5593	6350	6263	6500	6310	(1000 MT)
Ending Stocks	820	759	808	816	768	747	(1000 MT)
TOTAL DISTRIBUTION	6992	6931	8058	8018	7668	7556	(1000 MT)

In Germany, oats production grew to 1.190 MMT in MY 03/04 as some grain area affected by winterkill was resown as spring oats thus increasing overall area sown to oats. The quality of German production in 03/04 was very good, meaning that there is no need for the typical high quality oat imports this year, thus lowering Germany's import requirements.

The Czech Republic saw the highest oats production for three years due to winterkill area resown as oats. For the forthcoming year, 2004/05, production is expected to decline.

In Spain, an increased feed consumption of oats is expected as this is currently the cheapest grain available, particularly with Finnish prices being depressed due to the abundant harvest there this year.

In Poland, the long-term trend of declining oats production continued with a 12% year on year production fall. Oats production is generally concentrated on smaller farms and yields show a high degree of vulnerability to adverse weather.

Mixed Grain

PSD Table: EU-15, Mixed Grain

Country	European Union						UOM
	Mixed						
Commodity	Grain		(1000 HA)(1000 MT)				
	2001 USDA Official [Old]	Revised Post Estimate [New]	2002 USDA Official [Old]	Estimate Post Estimate [New]	2003 USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	07/2001		07/2002		07/2003		MM/YYYY
Area Harvested	1029	1030	1079	1074	1055	1054	(1000 HA)
Beginning Stocks	0	304	0	290	0	269	(1000 MT)
Production	5550	5551	5610	5601	4950	4960	(1000 MT)
TOTAL Mkt. Yr.							
Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	5550	5855	5610	5891	4950	5229	(1000 MT)
TOTAL Mkt. Yr.							
Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	233	0	0	(1000 MT)
Feed Dom.							
Consumption	5300	5199	5360	5258	4750	4786	(1000 MT)
TOTAL Dom.							
Consumption	5550	5565	5610	5622	4950	5043	(1000 MT)
Ending Stocks	0	290	0	269	0	186	(1000 MT)
TOTAL DISTRIBUTION	5550	5855	5610	5891	4950	5229	(1000 MT)

Rice

Country Commodity	European Union						UOM
	Rice, Milled						
	2001		2002		2003		
	USDA Official [Old]	Revised Post Estimate [New]	USDA Official [Old]	Estimate Post Estimate [New]	USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	09/2001		09/2002		09/2003		MM/YYYY
Area Harvested	396	398	397	396	400	403	(1000 HA)
Beginning Stocks	888	605	880	692	761	810	(1000 MT)
Milled Production	1624	1635	1706	1716	1625	1675	(1000 MT)
Rough Production	2566	2620	2624	2610	2500	2551	(1000 MT)
MILLING RATE (.9999)	6328	6241	6501	6575	6501	6567	(1000 MT)
TOTAL Imports	918	790	885	926	900	885	(1000 MT)
Jan-Dec Imports	959	920	900	850	875	1070	(1000 MT)
Jan-Dec Import U.S.	0	274	0	166	0	191	(1000 MT)
TOTAL SUPPLY	3430	3030	3471	3334	3286	3370	(1000 MT)
TOTAL Exports	335	306	485	313	450	343	(1000 MT)
Jan-Dec Exports	358	258	475	470	475	343	(1000 MT)
TOTAL Dom. Consumption	2215	2032	2225	2211	2230	2201	(1000 MT)
Ending Stocks	880	692	761	810	606	826	(1000 MT)
TOTAL DISTRIBUTION	3430	3030	3471	3334	3286	3370	(1000 MT)

In 2003/04, Italian rice production was reduced by the drought. Area planted to rice was unchanged at 120,000 hectares and remains within the MGA permitted by the EU. Rough rice production was around the same as last year, but the milling rate fell to 0.5728.

Italian domestic consumption levels are expected to remain unchanged over the coming marketing year, 03/04, with stock levels remaining high and perhaps 20 to 30,000 MT of rice being used as animal feed. For the forthcoming 04/05 season, plantings of indica varieties are expected to decline slightly. At the end of the 02/03 campaign, there were 638,000 MT in EU intervention stores, of which 234,000 MT were in Italy.

In Spain, for 03/04 a good crop is expected, with yields exceeding 8 MT/ha. The maximum guaranteed area (MGA) permitted under EU rules in Spain is 104,000 hectares. This year, Spanish rice area will exceed 117,000 hectares, leading to significant penalties, with direct payments reduced to 30% of their normal level. Despite this, rice production remains a very profitable enterprise in Spain. Planting intentions for next year, 2004/05, would suggest that there will be no change to the area planted to rice in Spain. Over the past decade, significant investments have been made to the Spanish rice sector, with for example, yields improving by over 50% over the past seven years.

Currently, prices in Spain are falling, but overall changes are minimal due to high international prices. Stock levels are stable, all of which is long grain rice. Spanish producers are reported to be concerned about basmati rice imports, as they feel that it competes with Spanish long grain rice. They have also expressed concerns about competition from rice imports from the Least Developed Countries (LDCs, who will get zero duty access to EU markets from 2009 under the Everything But Arms package).

Hungary's is undergoing long term decline in rice production from an planted area of 20,000 hectares a few years ago to 7,000 hectares currently.

In Germany, rice consumption is stable, though basmati has risen to 15% of the market, replacing Italian round grain rice.

EU –15 Basmati rice imports

	2000/01	2001/02	2002/03
India	143,696	165,151	181,605
Pakistan	61,730	49,606	94,771
Total	205,426	214,757	276,377

Source: European Commission, MY Sept to Aug.

EU feed grain for 2003/04

The decline in feed grain availability in the EU during the 03/04 MY is reflected in the drop grain use for feed from 123.2 MMT in 02/03 to 118.1 MMT. Increased imports of NGFI such as tapioca, as well as increased use of oilseed meals should help to offset the reduction, though the table also serves to reflect the tightness in EU grain balances this season.

Feed use in the Netherlands is estimated to fall from 3.2 MMT in 02/03 to 2.8 MMT in 03/04. The shortfall being made up by increased use of NGFI such as tapioca.

For the New Member States, Poland has an estimated 2.5 MMT grain shortfall, Hungary and the Czech Republic both have extremely tight balance sheets with some need for imports and a risk of seeing current domestic supplies literally evaporate out of the country 'truck by truck'.

EU Production of Wheat and Coarse Grains, MY 01/02 to 03/04.

Millions MT	Wheat	Coarse Grains	All Grains
MY 01/02	90.8	106.5	197.3
MY 02/03	103.7	104.9	208.6
MY 03/04	91.6	92.5	184.2

EU-15 Consumption of feed grains, 2002/03 and 2003/04 compared

	Wheat		Corn		Other Coarse Grains		Total		Change
	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	
France	12200	11810	6100	3000	5830	5639	24130	20449	-3681
Germany	9000	9455	2850	2200	12308	12508	24158	24163	5
UK	6876	6619	367	334	3662	3830	10905	10783	-122
Italy	2100	1600	9420	9300	2218	2415	13738	13315	-423
Spain	6522	4550	6193	6430	8439	10238	21154	21448	294
Other EU	10557	9450	6275	6074	12309	12388	29141	27923	-1218
EU Total	47255	43484	31205	27338	44766	47259	123226	118081	-5145

Source: FAS Post Estimates

This table indicates that there is 5 MMT less feed grain available in the EU this year compared to last year. Whether this shortage is in France, or reduced French intra-European exports effectively pass the problem to another country will be clearer as the MY develops.

Planting Outlook for 2004/05

EU	The European Commission has announced measures to reduce the compulsory set-aside area for 2004/05 from 10% to 5%. While the announcement was to alter many winter planting decisions, it may have some impact on spring plantings. As some set-aside area is used for oilseeds production, which as contracts will already have been signed will not be affected by this decision, and small farms do not have to set-aside land, the overall impact on production is expected to be an increase in EU grain production for 04/05 of 5 to 7 MMT.
France	Area planted to wheat in 04/05 is expected to rise by 2 to 3% to 5.2-5.3 m ha. Early corn harvests in 2003 enabled fields to be prepared for winter wheat planting which is not normally the case. However, due to the still depleted water levels, there exists a risk to the 04/05 crop should dry conditions persist. Wheat often presents a lower risk crop than corn in areas where irrigation is not available due to its lower sensitivity to drought. For barley, little change to area planted is expected in 04/05.
Germany	For 04/05, the area planted to wheat is expected to increase by 2%, with an increased percentage of winter wheat. The set-aside change came too late to impact on winter wheat plantings, though there may be some increase in spring wheat plantings For 04/05, the total area planted to barley is expected to remain static, though with less spring and more winter barley, average yields should rise. For the 04/05 year, area planted to corn is likely to stay above 400,000 hectares owing to the set-aside changes and because corn provides higher yields than other spring planted crops in Germany. For the 04/05 MY, the first after the abolition of intervention for rye, there is not expected to be any change to the area planted to rye as the reduction has already taken place over the past couple of years in Germany. The south of Germany even has a small deficit for rye which could see rye plantings rise slightly in the South, which will at least offset most of the reduced area planted to rye in the North of Germany, with overall area unchanged or perhaps marginally reduced.
United Kingdom	The set-aside announcement may have been early enough for some farmers to have been able to change their planting decisions. An early estimate for the 2004/05 wheat area would be a rise in area of 50 to 75k ha. to give a total of 2m ha. planted to wheat. Under average conditions, with a yield of 8.06 MT/ha. this would lead to a crop around 16.1 MMT. An extra 50,000 hectares of spring barley is expected to be sown due to the set-aside rules change, leading to an extra 350,000 MT of barley in 04/05.
Spain	Wheat plantings are expected to increase significantly due to the price of sunflower seed being the same as feed wheat. Under these conditions farmers clearly prefer to plant wheat. With 60% of the winter wheat area currently sown, the set-aside change could lead to an increase in wheat area, however, conditions are currently too wet for planting. However, as the rains have continued through November, the window for planting winter wheat is closing, with farmers thought likely to consider planting spring barley in January. Durum plantings are reported to be stable. However, should the wet conditions persist, then area planted to barley will increase.
Netherlands	Increased winter wheat plantings expected.

Austria	Crops planted largely unchanged, but with increased corn area of 5 to 10%. Wheat area expected to remain circa 280,000 ha. It is expected that next year's area planted to corn will increase by 5 to 10% due to the change in set-aside rules.
Belgium-Luxembourg	For 04/05, winter wheat seedings are predicted to be at around 230,000 ha., slightly higher than in a typical year. The announcement of the change to the set-aside rules came too late to impact on Autumn plantings
Poland	Winter plantings are expected to remain at similar levels to previous years, with 4.6 to 4.8 m ha. winter grains, of which 2m ha. would be wheat and 1.6 m ha. rye. Under the simplified payment scheme of the CAP, support for larger wheat producers will effectively fall next year, thus the introduction of the CAP is not expected to impact on yields in the short term.
Hungary	<p>With winter wheat plantings complete, the area is 4% higher than last year which under reasonable climatic conditions could lead to an 04/05 crop of 5.4 MMT. Over the medium term the corn area is expected to increase, but for next year, it is unclear how farmers planting decisions will be influenced by the CAP.</p> <p>For 04/05, it is not expected that there will be any significant changes to area planted to corn due to the impact of the EU's CAP, basically because the CAP is not widely understood, farmers are expected to maintain the status quo until they better understand the policy. However, it is possible that corn area could rise by up to 10% for the 04/05 season. In the medium term, area planted to corn is expected to rise.</p>
Czech Republic	Plantings of wheat are expected to rise, from this years harvested area of 650,000 ha. towards 800,000 ha.

Policy

During the summer, as the extent of the production shortfall due to the drought and heat wave became apparent, the European Commission stopped granting export subsidies for wheat exports. Currently, the only grain eligible for EU export subsidies is oats. This measure was designed to stem the flow of exports of European grains.

In November, the European Commission adopted an amendment to the low and medium wheat import quota system to enable the U.S. and Canada to use the part of the quota previously reserved for other third countries. In practice, Canadian exports were the beneficiary of this measure, as the 38,000 MT TRQ allocated to them was used up during the Autumn.

Additionally, in November, the European Commission announced its intention to lower the compulsory set-aside rate from 10% to 5% for the 2004/05 MY. The intention is to encourage additional grain production to help replenish depleted reserves. Post estimates that EU-15 grain production will increase by 5 to 7 MMT in 2004 due to this change.

In response to the shortage of grains on EU markets, the European Commission has been slowly releasing intervention stocks for use as animal feed over the course of the marketing year. It is expected that remaining wheat stocks will be released by tender during the first six months of 2004.

Further Commission responses to the current grain situation have been the subject of much speculation. Under the current market situation, Post expects the Commission to maintain its current cautious approach of slowly releasing intervention stocks for domestic feed use. It is not expected to implement more radical approaches such as the imposition of an export tax or the subsidization of the transport costs for intervention rye currently stored in Germany to be shipped to Spain.

In June, a package reforming the CAP was agreed which will have a major impact on the way that subsidies are paid to farmers. Further details can be found in GAIN Report E23121. However, little impact is expected during the current year 2003/04 or the following year, 2004/05.

The rice sector will also undergo significant changes following this CAP Reform, including a reduction of 50% in the EU rice intervention price. A related change is the EU's current attempt to renegotiate the rice margin of preference import tariff system.

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Related USEU and European Post Reports:

December 9, 2003 European Union Trade Policy Monitoring [BT-11 Sweet Corn Fails to Get EU Approval](#) E23234 *Voluntary Report - public distribution* Brussels USEU In the run up to the December 8th vote on B-11 sweet corn, Commissioner of Health and Consumer Protection David Byrne, the architect of the traceability and labeling regulations, remarked "If we fail to make progress [on the public's perception of the safety of biotech products], there is a very real danger that an anti-science agenda may take root in European society leading to a society hampered and restricted by a collective neurosis."

December 8, 2003 European Union Trade Policy Monitoring ["Safe as Conventional" Corn](#) E23233 *Voluntary Report - public distribution* Brussels USEU On December 4, 2000 the European Food Safety Authority (EFSA) announced a positive risk assessment for the biotech variety NK603, a corn produced by Monsanto. EFSA stated unequivocally that "The Panel has concluded that the herbicide-tolerant GM maize NK603 is as safe as conventional maize and therefore that the placing on the market—for import for processing and food or feed use—is unlikely to have an adverse impact on human or animal health, or in this context, on the environment."

December 5, 2003 | Spain | Grain and Feed | [Heavy Rains Delay Spanish Winter Grain Planting](#) | SP3046 | *Voluntary Report - public distribution* | Madrid | Heavy rains are washing out the prospects for a big 2004 winter grain crop. Castilla-Leon, the country's most important production area, has been especially hard hit.

December 4, 2003 Hungary Grain and Feed [November Grain Situation](#) HU3014 *Voluntary Report - public distribution* Vienna Wheat prices are nearly double last year, and spring futures indicate a further 25-30 % increase. The wheat export surplus is 400,000 MT at most with half of this volume already shipped to neighboring countries. The poor corn harvest, at about 4.5 million MT, reduced export surpluses to 500,000 MT. Hungary may increase their rye and feed barley purchases from Europe and overseas. The GOH issued a 100,000 MT duty-free import quota for rye, barley, and oats and plans to issue a new quota of 150,000 MT for 2004.

December 4, 2003 Portugal Grain and Feed [Tight Supply Situation Draws U.S. Grain into Portugal](#) PO3025 *Voluntary Report - public distribution* Madrid Faced with poor domestic grain crops and tight supplies throughout Europe, Portuguese grain traders are scrambling to find alternative supplies. One of these is sorghum. Although sorghum has hardly been used in the past by the Portuguese feed industry, traders have purchased U.S. sorghum to mix in feed rations; some 27,000 tons are due to arrive shortly.

December 1, 2003 Bosnia-Herzegovina Grain and Feed [Grain and Feed Update](#) BK3014 *Voluntary Report - public distribution* Vienna Wheat and corn production was drought affected with traditional suppliers (e.g. Hungary, Croatia) having limited export supplies. At present, demand for U.S. wheat is strong. USDA donation/monetization programs introduced HRW wheat into the Bosnian market in 1997, and millers blend it with other wheat available on the domestic market. Millers estimate a demand of 150,000 MT for HRW (12 percent protein) until the next harvest. The demand for corn is also strong because of growing broilers and eggs production. Imports are expected to reach 200,000 MT. GSM 102 is available for different commodities through local banks.

November 20, 2003 European Union Grain and Feed [EU Commission adopts regulation allowing US greater access to wheat quotas](#) E23221 *Voluntary Report - public distribution* Brussels USEU The European Commission has adopted an amendment to the low and medium wheat import quota system

that enables the U.S. and Canada to use part of the quota previously reserved for other third countries. Roughly 1.4 MMT of additional quota for 2003 will now be available for these two countries' exports to the EU. November 24th is the earliest possible date for bidding for quotas.

November 19, 2003 Croatia Grain and Feed [Grain and Feed Harvest and Trade Update](#) HR3022 *Voluntary Report - public distribution* Vienna The summer drought reduced production of all major grains. Tight grain supplies mean there will be no wheat or corn exports. The wheat export subsidy issue shouldn't surface this year. Corn imports could reach 100,000 tons if available from neighboring suppliers. This is an update to HR3017. No PS&D is included as our understanding is that FAS doesn't maintain a Croatian grain PS&D.

November 7, 2003 Romania Grain and Feed [Grain and Feed November Update](#) RO3019 *Voluntary Report - public distribution* Sofia FAS Bucharest further revises down, from our July figures, production estimates for MY 2003/04 at only 2 MMT, of which about half is reportedly kept in reserve on-farm and unlikely to reach the market. The U.S. have a real window of opportunity for milling wheat sales to Romania, because this commodity is scarce in the region and traditional sources are gradually exhausted. Duties for milling wheat were lifted by the GOR through December 2003. Moreover, a recent development is that the licensing system initially adopted to monitor wheat imports was recently repealed and the authorities are considering extending this trade action up to the new crop, that is, May 31, 2004. A slightly below average corn production - estimated by FAS Bucharest at about 6.5 million MT - combined with very low feed wheat and barley inventories, boosted demand for corn and raised domestic bids to unusual levels (\$150/MT, with an ascending trend) for this time of the year

November 6, 2003 European Union Agricultural Situation [EU to reduce set-aside rate to 5% for 2004/05](#) E23208 *Voluntary Report - public distribution* Brussels USEU European Agriculture Commissioner has announced his intention to lower the compulsory set-aside rate from the current 10% to 5% for the 2004/05 marketing year. This move is in response to the poor harvest this year. The European Commission estimate that this will lead to an increase in production of cereals in the EU by 7 million metric tonnes next year. The Commission is expected to set to table proposals for this change next week, though formal approval may not be completed until early in 2004.

November 5, 2003 European Union Grain and Feed [EU Commission to allow US to access larger wheat import quotas for 2003](#) E23207 *Voluntary Report - public distribution* Brussels USEU The European Commission has proposed an amendment to the low and medium wheat import quota system that would enable the U.S. and Canada to use the part of the quota previously reserved for 'other countries' (i.e. all but U.S. and Canada). Roughly 1.4 MMT of additional quota for 2003 will now be available for these two countries exports to the EU. The Regulation enters into force the day after publication, which is expected next week, with Monday the 17th as a possible first date for bidding for quotas.

September 23, 2003 Spain Grain and Feed [Spain Grain Market](#) SP3028 *Voluntary Report - public distribution* Madrid Bad weather - and bad policies - have left Spain's animal feed manufacturers scrambling for grain supplies. Bad weather, in the form of hot, dry conditions, hit Spain and most of Western Europe during the summer of 2003. Spanish winter grain crops escaped the worst of the heat: the 2003 harvest should be marginally below than last year. However, grain crops in Spain's traditional EU suppliers, particularly France, were hard hit, substantially reducing supplies. Prices for grains in the Spanish market have risen dramatically during the last two months. Wheat prices this September are 30 percent higher than last September, while corn and barley prices are up 18 percent.

September 23, 2003 France Biotechnology [French Corn Growers and Biotechnology](#) FR3052 *Voluntary Report - public distribution* Paris At their annual meeting, French corn growers called for the authorization of biotech corn varieties, especially varieties to fight against two new pests: the corn root worm, which has been detected in France for the second year in a row, and corn earworm (*Heliothis armigera*), which damaged 10% of the 2003 sweet corn crop. French corn growers, the leading French farmers union (FNSEA) and more than a thousand scientists have also started circulating a petition condemning repetitive biotech test plot destructions across the country and calling for more biotech authorizations. [[Download MS Word](#)]

September 9, 2003 France Agricultural Situation [Impact of Drought on 2003 French Agricultural Production](#) FR3046 *Voluntary Report - public distribution* Paris At present, indications are that France's corn crop will be the hardest hit by the recent drought and heat wave. Corn production is estimated to be down by 27 percent from 2002 due to low yields and a sharp increase in the silage cut. Cattle and dairy farmers are facing a severe shortage of feed. Milk production is down and some farmers are being forced to sell their beef cattle earlier than expected. In addition, wheat production for 2003 is estimated to drop by 20 percent from 2002, however, quality is expected to be high. Meanwhile, French rapeseed production has not been significantly affected by the drought.

September 8, 2003 Poland Grain and Feed [Poland Restricts Grain Exports](#) PL3029 *Required Report - public distribution* Warsaw Poland implemented its first post-Communist era grain export fees effective August 28, 2003 through April 30, 2004, the day prior to Poland's May 1, 2004 EU accession. The fees are intended to limit exports and support domestic supplies. Grain import needs will nevertheless remain strong. U.S. prospects for grain exports to Poland would be good if not for Poland's grain import trade barriers.

August 29, 2003 Germany Grain and Feed [Grain Crop Update - Germany Releases Official Estimates](#) GM3030 *Voluntary Report - public distribution* Berlin On August 28, 2003, Germany's Ministry of Agriculture (BMVEL) released its revised official 2003 production estimates for all grains (see table). The new official numbers are down from previous years because of the dry weather conditions Germany has experienced this summer.

August 11, 2003 Greece Grain and Feed [Karnal Bunt Disease](#) GR3013 *Voluntary Report - public distribution* Rome EU member States, including Greece, are beginning to utilize new European Plant Protection Organization (EPPO) standardized testing methods to detect karnal bunt disease in wheat commodities. Preliminary results show that the standardized testing methods are more reliable than the subjective nature of the old testing system. The new EPPO testing standards and the modification of Greece's wheat import regulations could facilitate the resumption of U.S. wheat exports.

August 5, 2003 European Union Grain and Feed [EU Commission rejects all new grains export licences](#) E23146 *Voluntary Report - public distribution* Brussels USEU The threat of an EU cereals shortage due to the current drought, has led the Commission to suspend the issuing of new grains export licences. In addition a technical change to the standing refunds system means that an export tax could be introduced at any moment. The effect of these two changes are likely to discourage any bids for export licences.

August 5, 2003 Poland Grain and Feed [Drought Reduces Grain Crop](#) PL3023 *Voluntary Report - public distribution* Warsaw High temperatures in July and a lack of precipitation reduced prospects for Poland's grain crop in 2003. Expected low quality and small crop will result in increased wheat imports. Poor grain expectations in neighboring countries increase fears for increased grain and food prices.

July 7, 2003 Spain Grain and Feed [Spanish Feed Grain Market Update](#) SP3019 *Voluntary Report - public distribution* Madrid At the beginning of June, the Spain looked set for a bumper grain crop. Cool, wet spring weather had raised hopes for record high yields throughout the country. Those hopes evaporated, however, as unseasonably high temperatures set in, making June 2003 the hottest in more than 50 years. Losses were most acute in Northern Spain, where the grain was beginning to fill when the heat went up. Despite these losses, production in 2003/04 is still likely to be 1 million tons more than the previous year. Due to new market conditions, U.S. sorghum looks set to return to Spain after a twoyear hiatus.